



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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ROBERT A. DAVIS
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December 28, 2012

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

Wendy L. Watanabe
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[Signature]

SUBJECT: **SAN GABRIEL CHILDREN'S CENTER, INC. – A DEPARTMENT OF
MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY
SERVICES CONTRACT PROVIDER – CONTRACT COMPLIANCE
REVIEW – PROGRAM YEARS 2009-10, 2010-11, AND 2011-12**

We completed a review of San Gabriel Children's Center, Inc. (SGCC or Agency), a Department of Mental Health (DMH) and Department of Children and Family Services (DCFS) contract provider, which covered a sample of transactions from Program Years (PYs) 2009-10, 2010-11, and 2011-12. DMH contracts with SGCC to provide mental health services, including interviewing participants, assessing their mental health needs, and implementing treatment plans. DCFS contracts with SGCC to provide Wraparound Approach (Wraparound) Program services. The Wraparound Program provides services to children and families including prevention, support, intervention, transitional, and maintenance services.

The purpose of our review was to determine whether SGCC provided the services in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County guidelines.

At the time of our review, DMH had two cost-reimbursement contracts with SGCC, and paid the Agency approximately \$6.72 million from September 2009 to July 2011. DCFS had one fee-for-service contract with SGCC, and paid the Agency approximately \$2.12 million from May 2009 to July 2011. The Agency provides services in the Fifth Supervisorial District.

Results of Review

Our review disclosed a number of significant areas of non-compliance by SGCC. Specifically, the Agency charged DMH and DCFS a total of \$819,034 in questioned costs, and did not return \$101,878 in unspent Wraparound funds to DCFS as required. In addition, the Agency did not implement four (57%) of the seven recommendations from our prior monitoring report. The following is a summary of the issues noted in our review.

DMH and DCFS Fiscal and Administrative Reviews

SGCC:

- Did not allocate shared expenditures to the County using an approved allocation method. In addition, SGCC did not allocate shared expenditures on an equitable basis, allocated unallowable and unsupported expenditures to the DMH and DCFS Programs, and overbilled DCFS for indirect costs. Questioned costs totaled \$395,605.

SGCC's attached response indicates that they allocated indirect costs based on revenue, which is not in compliance with the federal Office of Management and Budget's Circular A-122. While SGCC agreed they did not allocate indirect costs properly, they disagreed with our calculation of the disallowed costs. SGCC indicated that they will finalize their supporting documentation with DMH and DCFS, and will repay any agreed-upon amounts.

- Billed DMH for administrative costs twice on their PY 2009-10 Cost Report resulting in an overpayment of \$353,706.

SGCC's response indicates they have agreed to repay DMH \$353,706.

- Did not return \$101,878 in PY 2009-10 surplus Wraparound funds as required by their DCFS contract.

SGCC's response indicates they disagree with the methodology we used to determine their surplus funds. DCFS agrees with our finding and methodology, and will require SGCC to return the surplus funds.

- Did not reserve surplus funds, totaling \$62,352, from PY 2009-10 for future Wraparound Program expenditures as required by the DCFS contract.

SGCC's response indicates that they did reserve surplus funds of \$62,352. However, SGCC did not provide any accounting records, such as a general ledger, to document that the funds had been reserved for future Wraparound Program expenditures.

- Did not maintain adequate documentation, such as cancelled checks and lease agreements, to support \$58,415 in direct expenditures; and charged \$45,330 in unallowable expenditures to the DMH Program, and \$13,085 to the DCFS Wraparound Program.

SGCC's response indicates they agree with our findings, and will ensure that in-kind donations and expenditures outside of the contract period are not included in their DMH Cost Reports and DCFS expenditures. However, SGCC disagreed with the documentation requirement for certain DCFS expenditures. SGCC will resolve this issue with DCFS, and will repay DCFS for any agreed-upon amounts.

- Did not provide documentation for \$11,308 in payroll expenditures (\$7,716 for DMH and \$3,592 for DCFS).

SGCC's response indicates that they disagree with the finding because they think these expenditures were already included in their indirect costs, which were tested in our Cost Allocation section. However, we did not test payroll expenditures in the Cost Allocation section.

- Did not resolve 11 reconciling items on their June 2011 payroll bank account reconciliation that were dated from April 2009 to December 2010. Based on our review, one reconciling item, for \$2,066, issued in February 2010, had been charged to the DMH Program.

After our review, SGCC resolved all 11 reconciling items, and provided the cancelled check for the DMH expenditures of \$2,066 and adjusted their Cost Report accordingly. This resolves the questioned cost for the DMH contract.

DMH Program Review

SGCC staff had the required qualifications to provide DMH Program services. However, SGCC billed \$708 to DMH for multiple staff members' time even though the clients' Progress Notes did not document each additional staff member's contribution to the clients' mental health needs, as required. In addition, SGCC did not complete some elements of the Assessments, Client Plans, and Progress Notes, or meet the four-hour

service requirement for a Full-Day Treatment Intensive Program as required by the DMH contract.

SGCC's response indicates they have agreed to repay DMH \$708, and will ensure that the Assessments, Client Plans, and other documentation are completed as required by the DMH contract. In addition, SGCC indicated that they will ensure that Full-Day Treatment Intensive Program services exceed four hours.

Details of our review, along with recommendations for corrective action, are attached.

Need for Increased Monitoring

As noted earlier, our review disclosed significant issues with SGCC's operations. DMH and DCFS need to ensure that the Agency immediately corrects the deficiencies noted in our review. In addition, if the Agency does not repay the County the questioned costs or establish a repayment plan, based on the significant deficiencies, DMH and DCFS should place SGCC in the County's Contractor Alert Reporting Database (CARD). CARD is a centralized online database that alerts County departments of poorly performing contractors.

Review of Report

We discussed our report with SGCC, DMH, and DCFS. As indicated earlier, SGCC's attached response indicates they disagree with some of the findings and recommendations, and agree with other findings and recommendations. DMH and DCFS will work with SGCC to resolve the findings the Agency did not agree with.

We thank SGCC management and staff for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Philip Browning, Director, Department of Children and Family Services
Porfirio Rincon, CEO/Executive Director, San Gabriel Children's Center, Inc.
Carol Facciponti-Malcolm, Board Chairperson, San Gabriel Children's Center, Inc.
Public Information Office
Audit Committee

**SAN GABRIEL CHILDREN'S CENTER, INC.
DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND
FAMILY SERVICES CONTRACT COMPLIANCE REVIEW
PROGRAM YEARS 2009-10, 2010-11, and 2011-12**

BILLED SERVICES

Objective

Determine whether San Gabriel Children's Center, Inc., (SGCC or Agency) provided the services billed in accordance with their Department of Mental Health (DMH) contract.

Verification

We judgmentally selected 18 billings, totaling 3,390 minutes, from 496,783 service minutes of approved Medi-Cal billings from January and February 2011, which were the most current billings available at the time of our review. We also selected five of the 274 Day Treatment Intensive (DTI) days.

We reviewed the Assessments, Client Care Plans, Progress Notes, and Weekly Summaries maintained in the clients' charts for the selected billings. The 3,390 minutes and the five DTI days represent services provided to 15 clients, including five who received both minute billable services and DTI services.

Results

SGCC did not always comply with its County contract requirements. Specifically, SGCC:

- Billed DMH \$708 in unsupported mental health services. SGCC billed DMH for multiple staffs' time, even though the clients' Progress Notes did not document each additional staff's contribution to the clients' mental health needs as required for three (30%) of the ten Progress Notes reviewed. In addition, SGCC did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals in two (20%) of the ten Progress Notes reviewed.
- Did not complete the Assessments for nine (60%) of the 15 clients reviewed in accordance with the County contract. Specifically, the Assessments did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the given diagnosis for the clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders and the criteria for diagnosing them. We noted a similar issue in our prior monitoring report.

- Did not complete Client Care Plans for three (20%) of the 15 clients reviewed in accordance with the County contract. SGCC did not document specific objectives/goals on the Client Care Plans as required. A Client Care Plan is required for all services, and must document specific, measurable, attainable, realistic, and time-bound (SMART) objectives for each client.

In addition, for all five (100%) Day Treatment Intensive (DTI) cases reviewed, SGCC did not meet the four-hour minimum required for Full-Day Treatment Intensive Program services. The County contract requires that DTI services be more than four hours, excluding time for meals and breaks. Since SGCC did not have an agreement with DMH to provide a Half-Day Treatment Intensive Program, the Agency should work with DMH to determine the amount overbilled and repay DMH.

Recommendations

SGCC management:

1. **Repay DMH \$708.**
2. **Ensure that billed services are adequately supported in the client files.**
3. **Ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with the County contract.**
4. **Ensure that the duration of Full-Day Treatment Intensive Program services exceeds four hours.**
5. **Work with DMH to determine the amount overbilled for the Full-Day Treatment Intensive Program services, and repay DMH.**

STAFF RATIOS

Objective

Determine whether the Agency maintained the appropriate staffing ratios of 1:8 in their DTI Program, as required by the California Code of Regulations Title 9, Section 1840.350.

Verification

We reviewed staff timecards, staff attendance sheets, and client sign-in sheets for five days in January and February 2011.

Results

SGCC maintained the required 1:8 staff to client ratio.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether SGCC's treatment staff had the qualifications required to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 16 SGCC treatment staff who provided services to DMH clients during January and February 2011.

Results

Each employee in our sample had the qualifications required to provide the services.

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Objective

Determine whether SGCC retained surplus funds in a reserve account for future Department of Children and Family Services (DCFS) Wraparound Program expenditures.

Verification

We compared the Agency's total revenue from DCFS to their Wraparound Program expenditures in the Agency's accounting records for Program Years (PYs) 2009-10 and 2010-11.

Results

SGCC did not return \$101,878 surplus Wraparound funds for PY 2009-10 as required by DCFS contract Part I Section 7.7. In addition, SGCC did not reserve excess funds for PY 2009-10, totaling \$62,352, for future Wraparound Program expenditures as required by the DCFS contract. Specifically, SGCC did not provide accounting records, such as their general ledger, to support whether the surplus funds were reserved.

Recommendations**SGCC management:**

6. Return excess revenue of \$101,878 to DCFS.
7. Place \$62,352 in a reserve account for future Wraparound Program expenditures.
8. Ensure that future surplus funds are placed in a reserve account for future Wraparound Program expenditures, and any surplus funds above 10% are returned to DCFS.

CASH/REVENUE**Objective**

Determine whether SGCC deposited cash receipts timely, and recorded revenue properly in the Agency's records.

Verification

We interviewed SGCC's management and reviewed their accounting records. We also reviewed the Agency's June 2011 bank reconciliations for operating and payroll bank accounts.

Results

The Agency deposited cash receipts timely, and recorded revenue properly. However, SGCC did not resolve 11 reconciling items, totaling \$3,625, in their June 2011 payroll account reconciliation that were dated from April 2009 to December 2010. One of the 11 reconciling items, for \$2,066, was charged to the DMH Program. In addition, SGCC did not require two authorized signature on all checks as required by A-C Handbook Section B.2.1.

After our review, the Agency voided and reissued checks for all 11 items, and provided us with a cancelled check for the \$2,066 that was charged to the DMH Program, and a copy of their updated policy and procedures requiring two signatures on all checks.

Recommendations**SGCC management:**

9. Ensure reconciling items are resolved in a timely manner.
10. Ensure all checks have two signatures.

COST ALLOCATION PLAN**Objective**

Determine whether SGCC prepared its Cost Allocation Plan (Plan) in compliance with the County contract, and used the Plan to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Plan, interviewed management, and reviewed 32 shared expenditures incurred from June 2010 to June 2011, totaling \$355,058, to ensure that the expenditures were appropriately allocated to the DMH and DCFS Programs. In addition, we reviewed the total indirect costs charged to DCFS for Program Years (PYs) 2009-10 and 2010-11 to ensure that the Agency's indirect costs did not exceed the maximum 15% allowed for Wraparound Program costs.

Results

SGCC's Plan was not prepared in compliance with the County contract. Specifically, SGCC allocated their shared costs based on the percentage of direct revenues received. SGCC also allocated unallowable and unsupported expenditures, and overbilled indirect costs. Specifically, SGCC allocated expenditures not related to the DMH or Wraparound Programs, interest for a line of credit, and unpaid expenditures to the Programs. We noted similar findings during our prior monitoring review.

The following chart identifies the total questioned costs by Program for each contract year:

PROGRAM YEARS	DMH				QUESTIONED COSTS
	INCORRECTLY ALLOCATED	UNALLOWABLE	UNSUPPORTED	OVERBILLED	
2009-10	\$ 134,570	\$ 1,008	\$ 2,650	\$ -	\$ 138,228
2010-11	\$ 137,729	\$ 185	\$ -	\$ -	\$ 137,914
2011-12	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 272,299	\$ 1,193	\$ 2,650	\$ -	\$ 276,142

PROGRAM YEARS	DCFS				QUESTIONED COSTS
	INCORRECTLY ALLOCATED	UNALLOWABLE	UNSUPPORTED	OVERBILLED	
2009-10	\$ -	\$ -	\$ -	\$ 43,682	\$ 43,682
2010-11	\$ 13,242	\$ 266	\$ 700	\$ -	\$ 14,208
2011-12	\$ 61,509	\$ 64	\$ -	\$ -	\$ 61,573
Total	\$ 74,751	\$ 330	\$ 700	\$ 43,682	\$ 119,463

TOTAL QUESTIONED COSTS	\$ 395,605
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Recommendations**SGCC management:**

11. Reduce the DMH PY 2009-10 and PY 2010-11 Cost Reports by \$138,228 and \$137,914, respectively, for unallowable and unsupported expenditure allocations, and repay DMH for any excess amount received, or provide additional supporting documentation.
12. Reduce the DCFS PY 2010-11 and PY 2011-12 expenditures by \$14,208 and \$61,573, respectively, for unallowable and unsupported expenditure allocations, and repay DCFS for any excess amount received, or provide additional supporting documentation.
13. Repay DCFS Wraparound \$43,682 for PY 2009-10 indirect costs that exceeded the 15% limit.
14. Reallocate shared expenditures equitably for PYs 2009-10, 2010-11, and 2011-12, and reduce and/or repay DMH and DCFS for any unallowable and unsupported shared expenditures.
15. Ensure that shared expenditures are allocated equitably as required by the County contract.
16. Ensure only allowable expenditures are charged to the County Programs.
17. Maintain adequate documentation to support the expenditures.
18. Ensure that indirect costs charged to DCFS do not exceed 15% of total Program costs as required by the County contract.
19. Ensure that the Cost Allocation Plan is in compliance with the County contracts.

EXPENDITURES**Objective**

Determine whether Program-related expenditures were allowable under the County contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed accounting records and documentation to support 39 expenditure transactions billed to the DMH and DCFS Wraparound Programs between January 2010 and June 2011, totaling \$247,086.

Results

SGCC did not maintain adequate documentation, such as cancelled checks and lease agreements, to support some direct Program expenditures, and charged unallowable direct expenditures to the DMH and DCFS Programs. Specifically, SGCC charged in-kind rent donations as rent expenditures. Questioned costs totaled \$58,415 as follows:

PROGRAM YEARS	DMH		QUESTIONED COSTS	DCFS		QUESTIONED COSTS
	UNSUPPORTED	UNALLOWABLE		UNSUPPORTED	UNALLOWABLE	
2009-10	\$ 32,145	\$ -	\$ 32,145	\$ -	\$ -	\$ -
2010-11	\$ 6,650	\$ 6,535	\$ 13,185	\$ 5,700	\$ 6,535	\$ 12,235
2011-12	\$ -	\$ -	\$ -	\$ 850	\$ -	\$ 850
Total	\$ 38,795	\$ 6,535	\$ 45,330	\$ 6,550	\$ 6,535	\$ 13,085
TOTAL QUESTIONED COSTS				\$		58,415

Recommendations**SGCC management:**

20. Reduce the DMH PY 2009-10 and PY 2010-11 Cost Reports by \$32,145 and \$13,185, respectively, for unallowable and unsupported expenditure allocations, and repay DMH for any excess amount received, or provide additional supporting documentation.
21. Reduce the DCFS PY 2010-11 and PY 2011-12 expenditures by \$12,235 and \$850, respectively, for unallowable and unsupported expenditure allocations, and repay DCFS for any excess amount received, or provide additional supporting documentation.
22. Determine the total amount of questioned costs for PYs 2009-10, 2010-11, and 2011-12, and reduce and/or repay DMH and DCFS for any unallowable and unsupported shared expenditures.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with County funds were used for the appropriate programs and are safeguarded. In addition, determine whether fixed asset depreciation expenses charged to the DMH and DCFS Wraparound Programs were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets inventory listing. We also performed an inventory and reviewed the usage of two items purchased with County funds.

Results

SGCC appropriately used the two items for the DMH and DCFS Programs. However, SGCC's fixed asset and equipment listing did not include the description of the asset, serial number, date of purchase, acquisition cost, and source(s) of funding as required. In addition, the Agency was unable to provide documentation that an annual inventory was conducted as required by A-C Handbook Section B.4.2.

After our review, SGCC provided a complete fixed asset and equipment listing. In addition, SGCC provided an updated accounting manual requiring a physical inventory of fixed assets to be performed annually.

Recommendation

- 23. SGCC management ensure an annual physical inventory of fixed assets is conducted and documented as required.**

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to DMH and DCFS Wraparound Programs. In addition, determine whether the Agency had personnel files as required.

Verification

We traced the payroll expenditures for 16 employees, totaling \$67,948, for June 2011 to the Agency's payroll records and time reports. We also reviewed employees' personnel files.

Results

SGCC maintained their personnel files as required by the County contracts. However, SGCC did not provide documentation to support \$11,308 (\$7,716 for DMH, and \$3,592 for DCFS) in June 2011 payroll expenditures charged to the DMH and DCFS Programs. Specifically, the employees' timecards did not indicate total hours worked each day by program as required by A-C Handbook Section B.3.1. According to Agency personnel, the employees' timecards reflect predetermined hours, instead of actual hours worked by program by day. We noted a similar finding in our prior monitoring report.

Recommendations**SGCC management:**

24. Reduce the PY 2010-11 DMH expenditures by \$7,716 for unsupported June 2011 payroll expenditures, and repay DMH for any excess amount received, or provide additional supporting documentation.
25. Reduce PY 2011-12 DCFS expenditures by \$3,592 for unsupported June 2011 payroll expenditures, and repay DCFS for any excess amount received, or provide additional supporting documentation.
26. Determine the total amount of questioned costs for PYs 2009-10, 2010-11, and 2011-12, and reduce and/or repay DMH and DCFS for any unsupported payroll expenditures.
27. Ensure employees record actual hours worked by program by day.

COST REPORTS**Objective**

Determine whether SGCC's PY 2009-10 DMH Cost Reports reconciled to the Agency's accounting records.

Verification

We traced the Agency's PY 2009-10 DMH Cost Report to the Agency's accounting records. We also reviewed a sample of DMH Program's expenditures incurred from January 2010 to June 2010. It should be noted that the DCFS Wraparound Program does not require a Cost Report to be submitted to DCFS.

Results

SGCC was overpaid by \$353,706 (\$2,832,037 - \$2,478,331) in PY 2009-10. Specifically, SGCC received \$2,832,037 from DMH when the DMH-related expenditures in their accounting records totaled only \$2,478,331. According to Agency management, they mistakenly included the Agency's administrative costs twice in their total DMH expenditures.

Recommendations**SGCC management:**

28. Repay DMH \$353,706 for excess revenue received.
29. Revise the PY 2009-10 Cost Report and resubmit to DMH.

- 30. Ensure that the annual Cost Report is supported by accounting records prior to submitting it to DMH.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from April 24, 2008 monitoring review were implemented.

Results

SGCC did not implement four (57%) of the seven recommendations from our prior monitoring report. As previously indicated, the outstanding findings are related to Recommendations 3, 17, 18, and 27 in this report.

Recommendation

- 31. SGCC management implement the outstanding recommendations from the prior monitoring report.**



San Gabriel Children's Center, Inc.

September 4, 2012

Department of Auditor-Controller
Countywide Contract Monitoring Division
Attn: Yoon S. Park, CPA, Principal Accountant-Auditor
Los Angeles World Trade Center
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Re: San Gabriel Children's Center, Inc. - A Department of Mental Health and
Children and Family Services Program Provider
Contract Compliance Review

Dear Ms. Watanabe:

We have received your draft report via email on July 25, 2012. There are a number of items in the Review that SGCC disagrees with and therefore we are requesting a formal appeal to resolve the issues. Attached is a detailed Response to Request for Corrective Action Plan.

Please contact me directly regarding the next steps in this process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Porfirio Rincon', is written over a circular stamp or seal.

Porfirio Rincon
CEO

Cc: David Gaffield, SGCC
Kathie Clayton, SGCC
Dr. Gurucharan Khalsa, SGCC
Preeti Gupta, Controller
SGCC Board Members

Response to Request for Corrective Action Plan

**SAN GABRIEL CHILDREN'S CENTER, INC. (SGCC)
DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2009-10, 2010-11, and 2011-12**

SGCC is providing a Corrective Action Plan for Items 1, 2, 3, 4, 5, 9, 10, 15, 16, 17, 19, 20, 23, 27, 28, 29, 30 and 31. SGCC requests a formal appeal process for Items 6, 7, 8, 11, 12, 13, 14, 18, 21, 22, 24, 25, and 26 as we do not agree with the findings.

BILLED SERVICES

Recommendations

1. Repay DMH \$708.
2. Ensure that billed services are adequately supported in the client files.
3. Ensure that Assessments, Client Care Plans, Weekly Summaries and Progress Notes are completed in accordance with the County contract.
4. Ensure that the duration of the Full Day Treatment Intensive Program exceeds four hours.
5. Work with DMH to determine the amount overbilled for the unsupported Full Day Treatment Intensive Program services and repay DMH.

SGCC Response

1. SGCC will repay \$708.
2. SGCC will ensure that all billed services are documented according to service provided, including roles of multiple staff in Case Consultation services.
3. SGCC will ensure that Assessments, Client Care Plans and billing documents are completed in accordance with County Contract.
4. SGCC will ensure that Full Day Treatment Intensive Programs document all services provided, not just group activities, and will ensure that services exceed four hours per day.
5. SGCC looks forward to working with DMH to clarify and determine unsupported services, if any.

STAFF RATIOS

Recommendation

None.

STAFFING QUALIFICATIONS

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Recommendations

6. Place \$62,352 in a reserve account for future Wraparound Program expenditures.
7. Return excess revenue of \$101,878 to DCFS.
8. Ensure that excess funds are placed in a reserve account for future Wraparound Program expenditures and return any surplus funds above ten percent to DCFS.

SGCC Response

6. SGCC requests a formal appeals process as we do not agree with this finding.

SGCC did place \$62,352 in unrestricted net assets with a Board designation for future Wraparound Program expenditures (See attachment 1). SGCC did not place the funds in temporarily restricted net assets as requested by Auditor Controller because they do not meet the criteria established by the AICPA in the Non Profit Industry Audit Guide.

7. SGCC requests a formal appeals process as we do not agree with this finding.

SGCC disagrees with methodology used by Auditor Controller to determine excess revenue in that Placement Costs were excluded from the calculation. SGCC does not believe this is accurate nor is it consistently applied across providers. SGCC looks forward to working with DCFS to determine actual amount of excess revenue due to DCFS.

8. SGCC will continue to ensure that excess funds are Board Designated for future Wraparound Program expenditures. SGCC will return any surplus funds above ten percent at DCFS' request.

CASH/REVENUE

Recommendations

9. Ensure reconciling items are resolved in a timely manner.

10. Ensure all checks have two signatures.

SGCC Response

9. SGCC will ensure outstanding items are resolved in a timely manner.
10. SGCC implemented changes to ensure all checks have two signatures as of December, 2012.

COST ALLOCATION PLAN

Recommendations

11. Reduce the DMH FY 2009-10 and FY 2010-11 Cost Reports by \$138,228 and \$137,914, respectively for unallowable and unsupported expenditure allocations and repay DMH for any excess amount received or provide additional supporting documentation.
12. Reduce the DCFS FY 2010-11 and FY 2011-12 expenditures by \$14,208 and \$61,573 respectively for unallowable and unsupported expenditure allocations and repay DCFS for any excess amount received or provide additional supporting documentation.
13. Repay DCFS Wrap \$43,682 (\$150,735 - \$107,053) for FY 2009-10 indirect costs that exceeded the 15% limit.
14. Reallocate shared expenditures equitably for program years 2009-10, 2010-11, and 2011-12, and reduce and/or repay DMH and DCFS for any unallowable and unsupported shared expenditures.
15. Ensure that shared expenditures are allocated equitably as required by the County contract.
16. Ensure only allowable expenditures are charged to the County Programs.
17. Maintain adequate documentation to support the expenditures.
18. Ensure that indirect costs charged to DCFS do not exceed 15% of the total Program costs as required by the County contract.
19. Ensure that the Cost Allocation Plan is in compliance with the County contracts.

SGCC Response

- 11, 12 & 14. SGCC requests a formal appeals process as we do not agree with these findings.

SGCC acknowledges that there were inconsistencies in how some expenses were allocated and will ensure that this is handled correctly in the future.

SGCC disagrees with the specific dollar amounts since many of the questioned expenses were related to the initial lack of time records from employees who share time between DCFS Wraparound and DMH Wraparound. SGCC provided extensive documentation supporting the allocation percentages prior to the Exit Interview but was not afforded the opportunity to finalize the changes as discussed with Auditor Controller prior to issuance of the final report. At this point, SGCC looks forward to finalizing the results with Auditor Controller and/or DMH, DCFS and will pay back agreed upon amounts.

13 & 18. SGCC requests a formal appeals process as we do not agree with these findings.

SGCC acknowledges that the methodology used to allocate indirect costs was revenue-based and not in compliance with OMB A-122. SGCC implemented changes to methodology retroactive to July, 2011 to ensure that indirect costs are allocated correctly in the future.

SGCC disagrees with the specific dollar amounts since corrected indirect cost allocations provided prior to the Exit Conference were rejected by Auditor Controller because the changes had not yet been posted to the accounting records, amongst other open items. SGCC was not afforded the opportunity to finalize the changes as discussed with Auditor Controller prior to issuance of the final report. At this point, SGCC looks forward to finalizing the results with Auditor Controller and/or DMH, DCFS and will pay back agreed upon amounts.

SGCC disagrees with methodology used by Auditor Controller to determine the 15% indirect cost limit in that Placement Costs were excluded from the calculation. SGCC does not believe this is accurate nor is it consistently applied across providers. SGCC looks forward to working with DCFS to determine actual amount of the 15% indirect cost allowable under contract and will pay back agreed upon amounts.

15 & 16. SGCC will ensure only allowable expenditures are charged to the County Programs.

17. SGCC will maintain adequate documentation to support the expenditures, including timesheets from shared staff to ensure allocation percentages are based on actual time.

19. SGCC will ensure that the Cost Allocation Plan is in compliance with the County contracts.

EXPENDITURES

Recommendations

20. Reduce the DMH FY 2009-10 and FY 2010-11 Cost Reports by \$32,145 (\$39,177 - \$7,032) and \$13,185 (\$17,185 - \$4,000), respectively, for unallowable and unsupported expenditure allocations and repay DMH for any excess amount received or provide additional supporting documentation.

21. Reduce the DCFS FY 2010-11 and FY 2011-12 expenditures by \$12,235 (\$12,985 - \$750) and \$850 respectively, for unallowable and unsupported expenditure allocations

and repay DCFS for any excess amount received or provide additional supporting documentation.

22. Determine the total amount of questioned costs for program years 2009-10, 2010-11 and 2011-12 and reduce and/or repay DMH and DCFS for any unallowable and unsupported shared expenditures.

SGCC Response

20. SGCC will ensure that in-kind donations and expenses outside of the Contract periods will be corrected prior to issuance of Cost Reports.

21. SGCC will ensure that in-kind donations and expenses outside of the Contract periods will be corrected prior to issuance of expenditure reports.

SGCC requests a formal appeals process as we do not agree with the following part of this finding.

SGCC disagrees with documentation requirements for certain Flex Fund expenses related to family living arrangements, specifically the need to have a copy of families rental agreements to support rent payment. SGCC looks forward to resolving this issue with DCFS and will pay back agreed upon amounts.

22. SGCC will work with Auditor Controller, DMH and DCFS to determine amount of unsupported costs, if any, and will repay final agreed amount.

FIXED ASSETS AND EQUIPMENT

Recommendations

23. SGCC management ensure an annual physical inventory of fixed assets is conducted and documented as required.

SGCC Response

23. SGCC will ensure that an annual physical inventory of fixed assets is conducted

PAYROLL AND PERSONNEL

Recommendations

24. Reduce the FY 2010-11 DMH expenditures by \$7,716 (\$27,521 - \$19,805) for unsupported June 2011 payroll expenditures and repay DMH for any excess amount received or provide additional supporting documentation.
25. Reduce FY 2011-12 DCFS expenditures by \$3,592 (\$5,062 - \$1,470) for unsupported June 2011 payroll expenditures and repay DCFS for any excess amount received or provide additional supporting documentation.

26. Determine the total amount of questioned costs or program years 2009-10, 2010-11 and 2011-12 and reduce and/or repay DMH and DCFS for any unsupported payroll expenditures.
27. Ensure employees record actual hours worked by program by day.

SGCC Response

24. SGCC requests a formal appeals process as we do not agree with this finding.

SGCC disagrees with handling of June 2011 payroll expenses as a separate item since these expenses were already included in the correction of the entire 2010-11 allocated and indirect costs. SGCC looks forward to resolving this issue with the Auditor Controller.

25. SGCC requests a formal appeals process as we do not agree with this finding.

SGCC disagrees with handling of June 2011 payroll expenses as a separate item since these expenses were already included in the correction of the entire 2010-11 allocated and indirect costs. SGCC looks forward to resolving this issue with the Auditor Controller.

26. SGCC requests a formal appeals process as we do not agree with this finding.

SGCC looks forward to determining the total amount of questioned costs or program years 2009-10, 2010-11 and 2011-12 with Auditor Controller, DMH and DCFS and will repay final agreed upon amounts.

27. SGCC implemented changes in April 2012 to ensure employees record actual hours worked by program by day.

COST REPORTS

Recommendations

28. Repay DMH \$353,706 for excess revenue received.
29. Revise the FY 2009-10 Cost Report and resubmit to DMH.
30. Ensure that the annual Cost Report is supported by accounting records prior to submitting it to DMH

SGCC Response

28. SGCC acknowledges that it unwittingly included indirect cost twice in the 2009-10 cost report will repay DMH \$353,706 for excess revenue received.
29. SGCC will revise the FY 2009-10 Cost Report accordingly and resubmit to DMH.
30. SGCC will ensure that the annual Cost Report is supported by accounting records prior

to submitting it to DMH.

PRIOR YEAR FOLLOW-UP

Recommendation

31. SGCC management will implement the outstanding recommendations from the prior monitoring report.

SGCC Response

31. SGCC will implement the outstanding recommendations from the prior monitoring review.